

The  
Management  
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**UNDERGRADUATE UNIVERSITY EXAMINATIONS**

**SCHOOL OF MANAGEMENT AND LEADERSHIP**

**DEGREE OF BACHELOR OF MANAGEMENT AND LEADERSHIP**

**BML 104: INTRODUCTION TO PURCHASING AND SUPPLIES  
MANAGEMENT**

**DATE: 7<sup>TH</sup> AUGUST 2018**

**DURATION: 2 HOURS**

**MAXIMUM MARKS: 70**

**INSTRUCTIONS:**

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **SIX (6)** questions.
4. Question **ONE** is **compulsory**.
5. Answer any other **THREE** questions.
6. Question **ONE** carries **25 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided**

**QUESTION ONE**

**Read the Case Study below carefully and answer the questions that follow:**

**SIMBA FINANCES LIMITED**

Simba Finances Ltd is an international banking organisation with its headquarters and the majority of its banking activities cantered in Kenya. However, its growth within Kenya has slowed down considerably over the last three years mainly due to increasing competition.

Of late the organisation has been struggling to venture into the finance related activities to achieve positive business growth. Such diversification programmes have been disastrous. Thank God, due to success on the money markets and a more business awareness creation approach to the existing customers, some profits have been realised. There is, however, a feeling among some top management staff within the organisation that such approaches for increasing short-term profits are likely to impact negatively on the overall strategic outcomes.

In the last Annual General Meeting, a new chairman was appointed. After studying internal audits and reports she feels that the following actions need to be taken:

- i) A complete review is required of the existing strategies of Simba Finances Ltd.
- ii) More effective marketing of the organisation's existing business
- iii) Overhaul review of all existing investments with a view to selling off unprofitable activities as soon as the market will allow.
- iv) Introduction of a less bureaucratic management structure more able to deal with the rapid changes faced by the organisation.
- v) Need to introduce throughout the organisation world-class management thinking.

Finally, the chairman has been particularly worried about the purchasing activity across the organisation. At the moment, it is totally fragmented and poorly managed.



### Required

- a) Explain any three strategic tools of analysis that Simba Finances Ltd could use to unearth its problems. (9 Marks)
- b) The case mentions that purchasing activity across the organisation is totally fragmented and poorly managed. What do you understand by this assertion in your opinion? (16 marks)

### QUESTION TWO

- a) "The almost universal adoption of Just in time philosophy has made the economic order quantity model obsolete". Do you agree or disagree? (8 Marks)
- b) The quality of the interphase that the purchasing activity has within an organisation is an important indication of its effectiveness. Highlight the indicators of efficiency in the purchasing function. (7 marks)

### QUESTION THREE

- a) A university professor once made a remark to his purchasing students that, "inventory is a necessary evil in organisations". Discuss. (8 Marks)
- b) The prevailing tendency is to concentrate on core activities and to outsource those activities which are considered to be non-core. Outline the criteria for an effective appraisal of third party logistics service providers. (7 Marks)

### QUESTION FOUR

- a) Explain the contributions purchasing can make on quality issues within an organisation (7 Marks)
- b) Analyse the merits of sourcing from the domestic market as opposed to the overseas market. (8 Marks)

**QUESTION FIVE**

- a) Most traditional performance measurement's as used in purchasing and supplies management are part of minimum performance measurement. Discuss. **( 8 Marks)**
- b) A narrow supply base tends toward "partnership" between buyers and suppliers. With the aid of relevant examples, discuss the arguments for and against partnerships. **(7 Marks)**

**QUESTION SIX**

- a) The cost of ordering stock in an organisation can be is a drain on an organisations resource. Analyse the cost incurred and how it can be controlled. **(10 marks)**
- b) b) Contrast between the re-order level system and the Just-in-time systems of inventory management. **( 5 Marks )**